PROVINCE OF SASKATCHEWAN

2009

ANNUAL REPORT

PUBLIC EMPLOYEES DENTAL FUND

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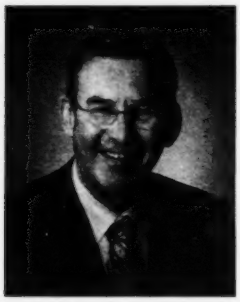
Letters of Transmittal



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2009.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eighteenth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2009.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Dental Fund

Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2009 there were approximately 32,742 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Cafeteria Board of Saskatchewan
Chief Electoral Officer (Office of the)
Children's Advocate (Office of the)
Crown Investments Corporation of Saskatchewan
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Information Services Corporation of Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Meewasin Valley Authority
Milk Control Board
NDP Caucus Office
Ombudsman (Office of the)
Power Greenhouses Inc.
Prairie Diagnostic Services Inc.
Provincial Auditor (Office of the)
Rentalsman (Office of the)
Sask Pork
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Centre of the Arts
Saskatchewan Communications Network Corporation
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Human Rights Commission
Saskatchewan Institute of Applied Science and Technology
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
SaskEnergy Incorporated
SecurTek Monitoring Solutions Inc.
St. Louis Alcoholism Centre Board of Governors
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Wascana Centre Authority
Western Development Museums
Workers' Compensation Board (The)

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Chief Electoral Officer
Children's Advocate
Conflict of Interest Commissioner
Information and Privacy Commissioner
Judges of the Provincial Court
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*
Ombudsman
Provincial Auditor
Rentalsman
Supervising justice of the peace, appointed under section 3 of *The Justices of the Peace Act, 1988*

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits

Agency, Saskatchewan Finance.

The Great-West Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9% of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4% of gross salary.

Effective July 1, 2009, premium funding was paid at a straight rate of 1.15% of gross salary.

Benefits

The Plan provides three levels of coverage as follows:

		Reimbursement
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Premiums/Claims Experience

	Dec 31, 2009	Dec 31, 2008
Premiums	$30,420,014	$30,457,437
Claims	$23,308,658	$22,132,741
# Claims Paid	108,558	105,579

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Dental Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Dental Fund for the year ended December 31, 2009 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 24, 2010

Public Employees Dental Fund

Financial Statements

Year Ended December 31, 2009

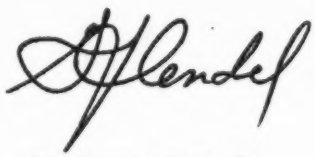
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Dental Fund as at December 31, 2009 and the statements of operations and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
February 24, 2010

Fred Wendel, CMA, CA
Provincial Auditor

Public Employees Dental Fund
Statement of Financial Position

Statement 1

As At December 31

	2009	2008
ASSETS		
Due from General Revenue Fund (Note 3)	$28,574,030	$ 5,590,396
Employer contributions receivable	1,148,570	806,114
Interest Receivable	17,458	-
Short-term investments (Note 4)	-	17,183,695
Total Assets	$29,740,058	$23,580,205
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 118,552	$ 141,756
Provision for unpaid claims (Note 8)	813,841	704,435
Total Liabilities	932,393	846,191
NET ASSETS (STATEMENT 2)	28,807,665	22,734,014
TOTAL LIABILITIES AND NET ASSETS	$29,740,058	$23,580,205

(See accompanying notes to the financial statements)

Public Employees Dental Fund
Statement of Operations and Net Assets

Statement 2

Year Ended December 31

	2009		2008
	Budget (Note 9)	Actual	Actual
REVENUE			
Employer contributions	$29,344,000	$30,420,014	$30,457,437
Interest (Notes 3 and 4)	599,000	108,493	580,015
	29,943,000	30,528,507	31,037,452
EXPENSES			
Claims incurred	24,570,000	23,308,658	22,132,741
Adjudication fees	1,024,000	953,076	855,313
Administration expenses (Note 5)	262,978	193,122	207,914
	25,856,978	24,454,856	23,195,968
Surplus for the year	4,086,022	6,073,651	7,841,484
NET ASSETS, BEGINNING OF YEAR	22,734,014	22,734,014	14,892,530
NET ASSETS, END OF YEAR (STATEMENT 1)	$26,820,036	$28,807,665	$ 22,734,014

(See accompanying notes to the financial statements)

Public Employees Dental Fund **Statement 3**
Statement of Cash Flows

Year Ended December 31

	2009	2008
Cash flows from (used in) operating activities:		
Employer contributions received	$ 30,077,558	$ 31,422,367
Interest received	77,730	43,649
Claims paid	(23,199,252)	(22,185,849)
Administration expenses paid	(224,950)	(186,298)
Adjudication fees paid	(944,452)	(842,686)
	5,786,634	8,251,183
Cash flows from (used in) investing activities:		
Purchase of investments	-	(93,977,297)
Proceeds from disposal of investments	17,197,000	87,568,000
	(17,197,000)	(6,409,297)
Net increase in cash	22,983,634	1,841,886
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR	5,590,396	3,748,510
DUE FROM GENERAL REVENUE FUND, END OF YEAR	$ 28,574,030	$ 5,590,396

(See accompanying notes to the financial statements)

Public Employees Dental Fund
Notes to the Financial Statements

December 31, 2009

1. Description of the Fund

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982 and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by the *Public Service Act,* and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing 1.4% of gross salary January 1, 2009 – June 30, 2009 and 1.15% from July 1, 2009 – December 31, 2009.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary, a predetermined amount per employee, or lump-sum payments. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Dental Fund. During the year, the Dental Fund received no such requests. At December 31, 2009, an accumulated surplus of $5,939,571 (2008 - $3,716,215) relating to the enhanced benefits is included in net assets.

The Board authorized that SGEU Benefits Plans' Surplus funding of 0.47% be redirected to the PEDF for the period August 1, 2008 to December 31, 2008 and during the year was extended to March 31, 2010. This amounted to $2,486,089 in 2009 (2008 - $2,366,902).

The Public Employees Benefits Agency (PEBA) administers the Plan. Under an agreement with the Great-West Life Assurance Company, claims are adjudicated and processed for payment.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Plan is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to for-profit entities. The following accounting policies are considered significant.

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon past claims experience.

d) Accounts Payable and Accrued Liabilities

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid. Actual results could differ from those estimates.

f) Financial Assets and Liabilities

The CICA Handbook, Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Financial assets classified as held for trading are measured at fair value and changes in fair value are recognized in surplus for the year. Loans and receivables, or other financial liabilities are measured at amortized cost using the effective interest method. The Dental Fund has no financial instruments designated as available for sale or held to maturity.

The Dental Fund has designated its due from the General Revenue Fund and short-term investments as held for trading. Employer contributions receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

g) Short-term Investments

Short-term investments are carried at fair value. The fair value of short-term investments is based on cost, plus accrued investment income, which approximates fair value due to the immediate or short-term nature of these investments.

h) Future Accounting Policy Changes

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to

PSA standards unless these standards do not meet their users' needs. The Plan is classified as an OGO and will be assessing the appropriateness of adopting PSA standards.

3. Due from General Revenue Fund

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2009 was 0.47% (2008 –2.57%).

4. Short-term Investments

Investments are purchased through the Treasury and Debt Management Branch of the Ministry of Finance and are subject to their investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R1" as rated by a recognized credit rating service. Due to a low rate of return, Treasury and Debt Management Branch decided that no short-term investments would be made for 2009; all money was left in the General Revenue Fund.

5. Administration Expenses

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is $6,373 (2008 - $38,202) due to PEBA.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Dental Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). These transactions are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions and employer contribution receivables are from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Financial Risk Management

The nature of the Dental Fund's operations result in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Dental Fund's credit risk arises primarily from the following distinct sources:

	2009	2008
Due from General Revenue Fund	$ 28,574,030	$ 5,590,396
Employer contributions receivable	1,148,570	806,114
Interest Receivable	17,458	-
Short-term investments	-	17,183,695

The maximum credit risk to which the Dental Fund is exposed is limited to the carrying value of the financial assets summarized above.

Credit risk within short-term investments is managed through a policy that limits investments to a minimum investment standard of R1.

Employer contribution receivables are generally receivable within 30 days.

Interest rate risk

The Dental Fund is exposed to changes in interest rates on its short-term investments and amounts owed to it by the General Revenue Fund. The risk is managed by investing in financial assets of a very short-term duration.

Liquidity risk

Liquidity risk is the risk that the Dental Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

8. Provision for Unpaid Claims

The provision for unpaid claims includes claims that have been incurred but not yet reported at year end.

Management estimated the claims incurred but not reported at year end totaled $751,969 (2008 - $666,266). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-term claims and tend to be reasonably predictable.

In 2009, the Dental Fund paid $801,876 related to claims incurred prior to December 31, 2008 (2008 - $747,065 for claims incurred prior to December 31, 2007).

The fair value of claims incurred but not reported at year end has been omitted because it is not practicable to determine fair value with sufficient reliability.

9. Budget

PEBA approved the annual budget for the Dental Fund.